FIDELITY D & D BANCORP INC
Form 10-Q
May 14, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________to______________________

Commission file number: 333-90273

FIDELITY D & D BANCORP, INC.

STATE OF INCORPORATION: IRS EMPLOYER IDENTIFICATION NO:

PENNSYLVANIA 23-3017653

Address of principal executive offices:

BLAKELY & DRINKER ST.

DUNMORE, PENNSYLVANIA 18512

TELEPHONE:

570-342-8281

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subjected to such filing requirements for the past 90 days. [X] YES [ ] NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).   [X] YES [ ] NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ] YES [X] NO

The number of outstanding shares of Common Stock of Fidelity D & D Bancorp, Inc. on April 30, 2015, the latest practicable date, was 2,439,905 shares.

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PART I – Financial Information

Item 1: Financial Statements

Fidelity D & D Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
(Unaudited)

(dollars in thousands)	March 31, 2015	December 31, 2014
Assets:		
Cash and due from banks	$ 14,157	$ 11,808
Interest-bearing deposits with financial institutions	4,826	14,043
Total cash and cash equivalents	18,983	25,851
Available-for-sale securities	126,481	97,896
Held-to-maturity securities (fair value of $0 in 2015, $0 in 2014)	-	-
Federal Home Loan Bank stock	1,291	1,306
Loans and leases, net (allowance for loan losses of $9,208 in 2015; $9,173 in 2014)	510,488	506,327
Loans held-for-sale (fair value $1,181 in 2015, $1,186 in 2014)	1,159	1,161
Foreclosed assets held-for-sale	1,433	1,972
Bank premises and equipment, net	14,931	14,846
Cash surrender value of bank owned life insurance	10,825	10,741
Accrued interest receivable	2,089	2,086
Other assets	14,827	14,299
Total assets	$ 702,507	$ 676,485
Liabilities:		
Deposits:		
Interest-bearing	$ 467,896	$ 457,574
Non-interest-bearing	133,846	129,370
Total deposits	601,742	586,944
Accrued interest payable and other liabilities	3,470	3,353
Short-term borrowings	13,773	3,969
Long-term debt	10,000	10,000
Total liabilities	628,985	604,266
Shareholders' equity:		
Preferred stock authorized 5,000,000 shares with no par value; none issued	-	-
Capital stock, no par value (10,000,000 shares authorized; shares issued and outstanding; 2,439,905 in 2015; and 2,427,767 in 2014)	26,461	26,272
Retained earnings	44,164	43,204
Accumulated other comprehensive income	2,897	2,743
Total shareholders' equity	73,522	72,219
Total liabilities and shareholders' equity	$ 702,507	$ 676,485

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary
Consolidated Statements of Income

(Unaudited)	Three months ended	
(dollars in thousands except per share data)	March 31, 2015	March 31, 2014
Interest income:		
Loans and leases:		
Taxable	$ 5,499	$ 5,276
Nontaxable	139	131
Interest-bearing deposits with financial institutions	16	7
Investment securities:		
U.S. government agency and corporations	260	245
States and political subdivisions (nontaxable)	313	321
Other securities	77	22
Total interest income	6,304	6,002
Interest expense:		
Deposits	557	489
Securities sold under repurchase agreements	8	8
Other short-term borrowings and other	1	-
Long-term debt	131	210
Total interest expense	697	707
Net interest income	5,607	5,295
Provision for loan losses	150	300
Net interest income after provision for loan losses	5,457	4,995
Other income:		
Service charges on deposit accounts	415	423
Interchange fees	302	305
Fees from trust fiduciary activities	217	164
Fees from financial services	127	139
Service charges on loans	176	117
Fees and other revenue	196	171
Earnings on bank-owned life insurance	85	83
Gain on sale or disposal of:		
Loans	229	128
Investment securities	2	207
Premises and equipment	1	1
Total other income	1,750	1,738
Other expenses:		
Salaries and employee benefits	2,653	2,476
Premises and equipment	941	917
Advertising and marketing	387	332

Professional services	338	318
FDIC assessment	107	99
Loan collection	30	47
Other real estate owned	99	65
Office supplies and postage	101	107
Automated transaction processing	120	151
Other	311	273
Total other expenses	5,087	4,785
Income before income taxes	2,120	1,948
Provision for income taxes	547	492
Net income	$ 1,573	$ 1,456
Per share data:		
Net income - basic	$ 0.65	$ 0.61
Net income - diluted	$ 0.64	$ 0.61
Dividends	$ 0.25	$ 0.25

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income (Unaudited) (dollars in thousands)	Three months ended March 31, 2015	2014
Net income	$ 1,573	$ 1,456
Other comprehensive income, before tax:		
Unrealized holding gain on available-for-sale securities	235	1,015
Reclassification adjustment for net gains realized in income	(2)	(207)
Net unrealized gain	233	808
Tax effect	(79)	(274)
Unrealized gain, net of tax	154	534
Other comprehensive income, net of tax	154	534
Total comprehensive income, net of tax	$ 1,727	$ 1,990

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2015 and 2014
(Unaudited)

(dollars in thousands)	Capital stock Shares	Amount	Retained earnings	Accumulated other comprehensive income	Total
Balance, December 31, 2013	2,391,617	$ 25,302	$ 39,519	$ 1,239	$ 66,060
Net income			1,456		1,456
Other comprehensive income				534	534
Issuance of common stock through Employee Stock Purchase Plan	4,373	80			80
Issuance of common stock through Dividend Reinvestment Plan	10,427	249			249
Issuance of common stock from vested restricted share grants through stock compensation plans	5,250				
Stock-based compensation expense		72			72
Cash dividends declared			(602)		(602)
Balance, March 31, 2014	2,411,667	$ 25,703	$ 40,373	$ 1,773	$ 67,849
Balance, December 31, 2014	2,427,767	$ 26,272	$ 43,204	$ 2,743	$ 72,219
Net income			1,573		1,573
Other comprehensive income				154	154
Issuance of common stock through Employee Stock Purchase Plan	4,358	102			102
Issuance of common stock from vested restricted share grants through stock compensation plans	7,780				
Stock-based compensation expense		87			87
Cash dividends declared			(613)		(613)
Balance, March 31, 2015	2,439,905	$ 26,461	$ 44,164	$ 2,897	$ 73,522

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows

(Unaudited)	Three months ended March 31,	
(dollars in thousands)	2015	2014
Cash flows from operating activities:		
Net income	$ 1,573	$ 1,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	806	767
Provision for loan losses	150	300
Deferred income tax expense (benefit)	588	(16)
Stock-based compensation expense	87	72
Proceeds from sale of loans held-for-sale	10,318	7,065
Originations of loans held-for-sale	(10,227)	(6,563)
Earnings from bank-owned life insurance	(85)	(83)
Net gain from sales of loans	(229)	(128)
Net gain from sales of investment securities	(2)	(207)
Net loss (gain) from sale and write-down of foreclosed assets held-for-sale	36	(48)
Change in:		
Accrued interest receivable	(4)	38
Other assets	(954)	(530)
Accrued interest payable and other liabilities	117	(535)
Net cash provided by operating activities	2,174	1,588
Cash flows from investing activities:		
Held-to-maturity securities:		
Proceeds from sales	-	187
Proceeds from maturities, calls and principal pay-downs	-	3
Available-for-sale securities:		
Proceeds from sales	3,573	2,751
Proceeds from maturities, calls and principal pay-downs	6,772	3,580
Purchases	(39,025)	(10,612)
Decrease in FHLB stock	15	464
Net increase in loans and leases	(4,725)	(7,892)
Acquisition of bank premises and equipment	(664)	(433)
Proceeds from sale of foreclosed assets held-for-sale	921	766
Net cash used in investing activities	(33,133)	(11,186)
Cash flows from financing activities:		
Net increase in deposits	14,798	25,067
Net increase in short-term borrowings	9,804	3,685

Proceeds from employee stock purchase plan participants	102	80
Dividends paid, net of dividends reinvested	(613)	(395)
Proceeds from dividend reinvestment plan participants	-	42
Net cash provided by financing activities	24,091	28,479
Net (decrease) increase in cash and cash equivalents	(6,868)	18,881
Cash and cash equivalents, beginning	25,851	13,218
Cash and cash equivalents, ending	$ 18,983	$ 32,099

See notes to unaudited consolidated financial statements

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FIDELITY D & D BANCORP, INC.

Notes to Consolidated Financial Statements

(Unaudited)

1. Nature of operations and critical accounting policies

Nature of operations

Fidelity Deposit and Discount Bank (the Bank) is a commercial bank chartered under the law of the Commonwealth of Pennsylvania and a wholly-owned subsidiary of Fidelity D & D Bancorp, Inc. (collectively, the Company). Having commenced operations in 1903, the Bank is committed to provide superior customer service, while offering a full range of banking products and financial and trust services to both our consumer and commercial customers from our main office located in Dunmore and other branches located throughout Lackawanna and Luzerne Counties.

Principles of consolidation

The accompanying unaudited consolidated financial statements of the Company and the Bank have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to this Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnote disclosures required by GAAP for complete financial statements. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the financial condition and results of operations for the periods have been included. All significant inter-company balances and transactions have been eliminated in consolidation.

For additional information and disclosures required under GAAP, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

Management is responsible for the fairness, integrity and objectivity of the unaudited financial statements included in this report. Management prepared the unaudited financial statements in accordance with GAAP. In meeting its responsibility for the financial statements, management depends on the Company's accounting systems and related internal controls. These systems and controls are designed to provide reasonable but not absolute assurance that the financial records accurately reflect the transactions of the Company, the Company’s assets are safeguarded and that the financial statements present fairly the financial condition and results of operations of the Company.

In the opinion of management, the consolidated balance sheets as of March 31, 2015 and December 31, 2014 and the related consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in shareholders’ equity and consolidated statements of cash flows for the three months ended March 31, 2015 and 2014 present fairly the financial condition and results of operations of the Company. All material adjustments required for a fair presentation have been made. These adjustments are of a normal recurring nature. Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

In preparing these consolidated financial statements, the Company evaluated the events and transactions that occurred after March 31, 2015 through the date these consolidated financial statements were issued.

This Quarterly Report on Form 10-Q should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2014, and the notes included therein, included within the Company's Annual Report filed on Form 10-K.

Critical accounting policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses. Management believes that the allowance for loan losses at March 31, 2015 is adequate and reasonable. Given the subjective nature of identifying and valuing loan losses, it is likely that well-informed individuals could make different assumptions and could, therefore, calculate a materially different allowance value. While management uses available information to recognize losses on loans, changes in economic conditions may necessitate revisions in the future. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize adjustments to the allowance based on their judgment of information available to them at the time of their examination.

Another material estimate is the calculation of fair values of the Company's investment securities. Fair values of investment securities are determined by pricing provided by a third-party vendor, who is a provider of financial market data, analytics and related services to financial institutions. Based on experience, management is aware that estimated fair values of investment securities tend to vary among valuation services. Accordingly, when selling investment securities, price quotes may be obtained from more than one source. The majority of the Company's investment securities are classified as available-for-sale (AFS). AFS securities are carried at fair value

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on the consolidated balance sheets, with unrealized gains and losses, net of income tax, reported separately within shareholders' equity as a component of accumulated other comprehensive income (loss) (OCI).

The fair value of residential mortgage loans, classified as held-for-sale (HFS), is obtained from the Federal National Mortgage Association (FNMA) or the Federal Home Loan Bank (FHLB). Generally, the market to which the Company sells residential mortgages it originates for sale is restricted and price quotes from other sources are not typically obtained. On occasion, the Company may transfer loans from the loan portfolio to loans HFS. Under these circumstances, pricing may be obtained from other entities and the loans are transferred at the lower of cost or market value and simultaneously sold. As of March 31, 2015 and December 31, 2014, loans classified as HFS consisted of residential mortgage loans.

Financing of automobiles, provided to customers under lease arrangements of varying terms, are accounted for as direct finance leases. Interest income on automobile direct finance leasing is determined using the interest method. Generally, the interest method is used to arrive at a level effective yield over the life of the lease.

Foreclosed assets held-for-sale includes other real estate acquired through foreclosure (ORE) and may, from time-to-time, include repossessed assets such as automobiles. ORE is carried at the lower of cost (principal balance at date of foreclosure) or fair value less estimated cost to sell. Any write-downs at the date of foreclosure or within a reasonable period of time after foreclosure are charged to the allowance for loan losses. Expenses incurred to maintain ORE properties, subsequent write downs to the asset's fair value, any rental income received and gains or losses on disposal are included as components of other real estate owned expense in the consolidated statements of income.

For purposes of the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from banks and interest-bearing deposits with financial institutions. For each of the three months ended March 31, 2015 and 2014, the Company paid interest of $0.7 million. The Company did not make an income tax payment in the first quarters of 2015 and 2014. Transfers from loans to foreclosed assets held-for-sale amounted to $0.4 million and $1.2 million during the three months ended March 31, 2015 and 2014, respectively. During the same respective periods, transfers from loans to loans HFS amounted to $0 for both periods and from loans to bank premises and equipment amounted to $0 million and $1.0 million. Expenditures for construction in process, a component of other assets in the consolidated balance sheets, are included in acquisition of bank premises and equipment.

2. New accounting pronouncements

In an exposure draft issued in the fourth quarter of 2012, the Financial Accounting Standards Board (FASB) proposed changes to the accounting guidance related to the impairment of financial assets and the recognition of credit losses. The FASB proposal would require financial institutions to reserve for losses for the duration of the credit exposure as opposed to reserving for probable losses. The new methodology would be known as the "current expected credit losses" (CECL) methodology. The FASB is currently in the process of re-deliberating significant issues raised through feedback received from comment letters and outreach activities. Among other things, the guidance in the proposed update regarding an entity's estimate of expected credit losses will be clarified as follows:

- An entity should revert to a historical average loss experience for the future periods beyond which the entity is able to make or obtain reasonable and supportable forecasts;
- An entity should consider all contractual cash flows over the life of the related financial assets;
- When determining the contractual cash flows and the life of the related financial assets:
  - An entity should consider expected prepayments;

- o An entity should not consider expected extensions, renewals, and modifications unless the entity reasonably expects that it will execute a troubled debt restructuring with a borrower;
- · An entity's estimate of expected credit losses should always reflect the risk of loss, even when that risk is remote. However, an entity would not be required to recognize a loss on a financial asset in which the risk of nonpayment is greater than zero yet the amount of loss would be zero;
- · In addition to using a discounted cash flow model to estimate expected credit losses, an entity would not be prohibited from developing an estimate of credit losses using loss-rate methods, probability-of-default methods or a provision matrix using loss factors;
- · The final guidance on expected credit losses will include implementation guidance describing the factors that an entity should consider to adjust historical loss experience for current conditions and reasonable and supportable forecast.

FASB expects to issue this proposed accounting standard update in late 2015. An effective date has yet to be discussed. Upon adoption, the change in this accounting guidance could result in an increase in the Company's allowance for loan losses and require the Company to record loan losses more rapidly. Upon final issuance of the standard, the Company will be able to better evaluate the potential impact of this new standard on its consolidated financial statements.

In August 2014, the FASB issued an accounting standard update (ASU 2014-14) related to; Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40) Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure. The update requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) The loan has a government guarantee that is not separable from the loan before foreclosure; (2) At the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; (3) At the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendments in the update are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. The Company adopted this accounting standard during the first quarter of 2015 and it did not have a material impact on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, Compensation – Stock Compensation (Topic 718) Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, an amendment to the stock compensation accounting guidance to clarify that a performance target that affects vesting of a share-based payment and that could be achieved after the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. This amendment is effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in this update either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company does not expect this amendment to have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; recognize revenue when (or as) the entity satisfies a performance obligation. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, using either of the following transition methods: a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The Company is evaluating the impact of the adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard effective in the first quarter of 2017.

In January 2014, the FASB issued ASU 2014-04 related to; Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40) Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The update applies to all creditors who obtain physical possession of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable. The amendments in this update clarify when an in-substance repossession or foreclosure occurs and requires disclosure of both (1) the amount of foreclosed residential real estate property held by a creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in the update are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. The Company adopted this accounting standard during the first quarter of 2015 and it did not have a material impact on its consolidated financial statements.

3. Accumulated other comprehensive income

The following tables illustrate the changes in accumulated other comprehensive income by component and the details about the components of accumulated other comprehensive income as of and for the periods indicated:

As of and for the three months ended March 31, 2015

(dollars in thousands)	Unrealized gains on available-for-sale securities	Total
Beginning balance	$ 2,743	$ 2,743
Other comprehensive income before reclassifications, net of tax	155	155
Amounts reclassified from accumulated other comprehensive income, net of tax	(1)	(1)
Net current-period other comprehensive income	154	154
Ending balance	$ 2,897	$ 2,897

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As of and for the three months ended March 31, 2014

(dollars in thousands)	Unrealized gains on available-for-sale securities	Total
Beginning balance	$ 1,239	$ 1,239
Other comprehensive income before reclassifications, net of tax	671	671
Amounts reclassified from accumulated other comprehensive income, net of tax	(137)	(137)
Net current-period other comprehensive income	534	534
Ending balance	$ 1,773	$ 1,773

Details about accumulated other comprehensive income components (dollars in thousands)	For the three months ended March 31, 2015	2014	Affected line item in the statement where net income is presented
Unrealized gains on AFS securities	$ 2	$ 207	Gain on sale of investment securities
	(1)	(70)	Provision for income taxes
Total reclassifications for the period	$ 1	$ 137	Net income

4. Investment securities

Agency – Government-sponsored enterprise (GSE) and MBS - GSE residential

Agency – GSE and MBS – GSE residential securities consist of short- to long-term notes issued by Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB) and Government National Mortgage Association (GNMA). These securities have interest rates that are fixed and adjustable, have varying short- to long-term maturity dates and have contractual cash flows guaranteed by the U.S. government or agencies of the U.S. government.

Obligations of states and political subdivisions

The municipal securities are bank qualified or bank eligible, general obligation and revenue bonds rated as investment grade by various credit rating agencies and have fixed rates of interest with mid- to long-term maturities. Fair values of these securities are highly driven by interest rates. Management performs ongoing credit quality reviews on these issues.

The amortized cost and fair value of investment securities at March 31, 2015 and December 31, 2014 are summarized as follows:

(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
March 31, 2015				
Held-to-maturity securities:				
MBS - GSE residential	$ -	$ -	$ -	$ -
Available-for-sale securities:				
Agency - GSE	$ 18,514	$ 133	$ 10	$ 18,637
Obligations of states and political subdivisions	35,867	2,539	43	38,363
MBS - GSE residential	67,416	1,582	81	68,917
Total debt securities	121,797	4,254	134	125,917
Equity securities - financial services	294	270	-	564
Total available-for-sale securities	$ 122,091	$ 4,524	$ 134	$ 126,481

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(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
December 31, 2014				
Held-to-maturity securities:				
MBS - GSE residential	$ -	$ -	$ -	$ -
Available-for-sale securities:				
Agency - GSE	$ 14,380	$ 29	$ 11	$ 14,398
Obligations of states and political subdivisions	34,609	2,444	20	37,033
MBS - GSE residential	44,455	1,438	23	45,870
Total debt securities	93,444	3,911	54	97,301
Equity securities - financial services	295	300	-	595
Total available-for-sale securities	$ 93,739	$ 4,211	$ 54	$ 97,896

The amortized cost and fair value of debt securities at March 31, 2015 by contractual maturity are summarized below:

(dollars in thousands)	Amortized cost	Fair value
Held-to-maturity securities:		
MBS - GSE residential	$ -	$ -
Available-for-sale securities:		
Debt securities:		
Due in one year or less	$ 201	$ 203
Due after one year through five years	17,446	17,564
Due after five years through ten years	3,216	3,446
Due after ten years	33,518	35,787
Total debt securities	54,381	57,000
MBS - GSE residential	67,416	68,917
Total available-for-sale debt securities	$ 121,797	$ 125,917

Actual maturities will differ from contractual maturities because issuers and borrowers may have the right to call or repay obligations with or without call or prepayment penalty. Agency – GSE and municipal securities are included based on their original stated maturity. MBS – GSE residential, which are based on weighted-average lives and subject to monthly principal pay-downs, are listed in total. Most of the securities have fixed rates or have predetermined scheduled rate changes, and many have call features that allow the issuer to call the security at par before its stated maturity, without penalty.

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The following table presents the fair value and gross unrealized losses of investment securities aggregated by investment type, the length of time and the number of securities that have been in a continuous unrealized loss position as of March 31, 2015 and December 31, 2014:

	Less than 12 months		More than 12 months		Total	
(dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
March 31, 2015						
Agency - GSE	$ 2,040	$ 10	$ -	$ -	$ 2,040	$ 10
Obligations of states and political subdivisions	3,519	43	-	-	3,519	43
MBS - GSE residential	19,776	81	-	-	19,776	81
Total	$ 25,335	$ 134	$ -	$ -	$ 25,335	$ 134
Number of securities	17		-		17	
December 31, 2014						
Agency - GSE	$ 4,100	$ 11	$ 1,024	$ -	$ 5,124	$ 11
Obligations of states and political subdivisions	1,767	11	670	9	2,437	20
MBS - GSE residential	3,761	23	-	&nbs		